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Rounds of mobile investment and 'strategic coupling' dynamics in the semi-periphery: investigating the experience of Northern Ireland since the mid-1990s

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Work-in-progress

**Rounds of mobile investment and ‘strategic coupling’
dynamics in the semi-periphery:** investigating the
experience of Northern Ireland since the mid-1990s

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Agenda

1. Introduction, broad idea and potential contributions
2. Conceptualisation / conceptual framework
3. Method
4. Case context: Northern Ireland, its economy and inward investment
5. Some preliminary insights on 3 (of 6) strategic (de)coupling 'encounters':
 - Decoupling encounter 1: the 'messy' demise of the textile & clothing GPN segment
 - Coupling encounter 2: 'low road' new path creation - the outsourced contact centre segment
 - Coupling encounter 3: 'higher road' new path creation – IT/software GPN segment
6. Conclusion: Six preliminary discussion points

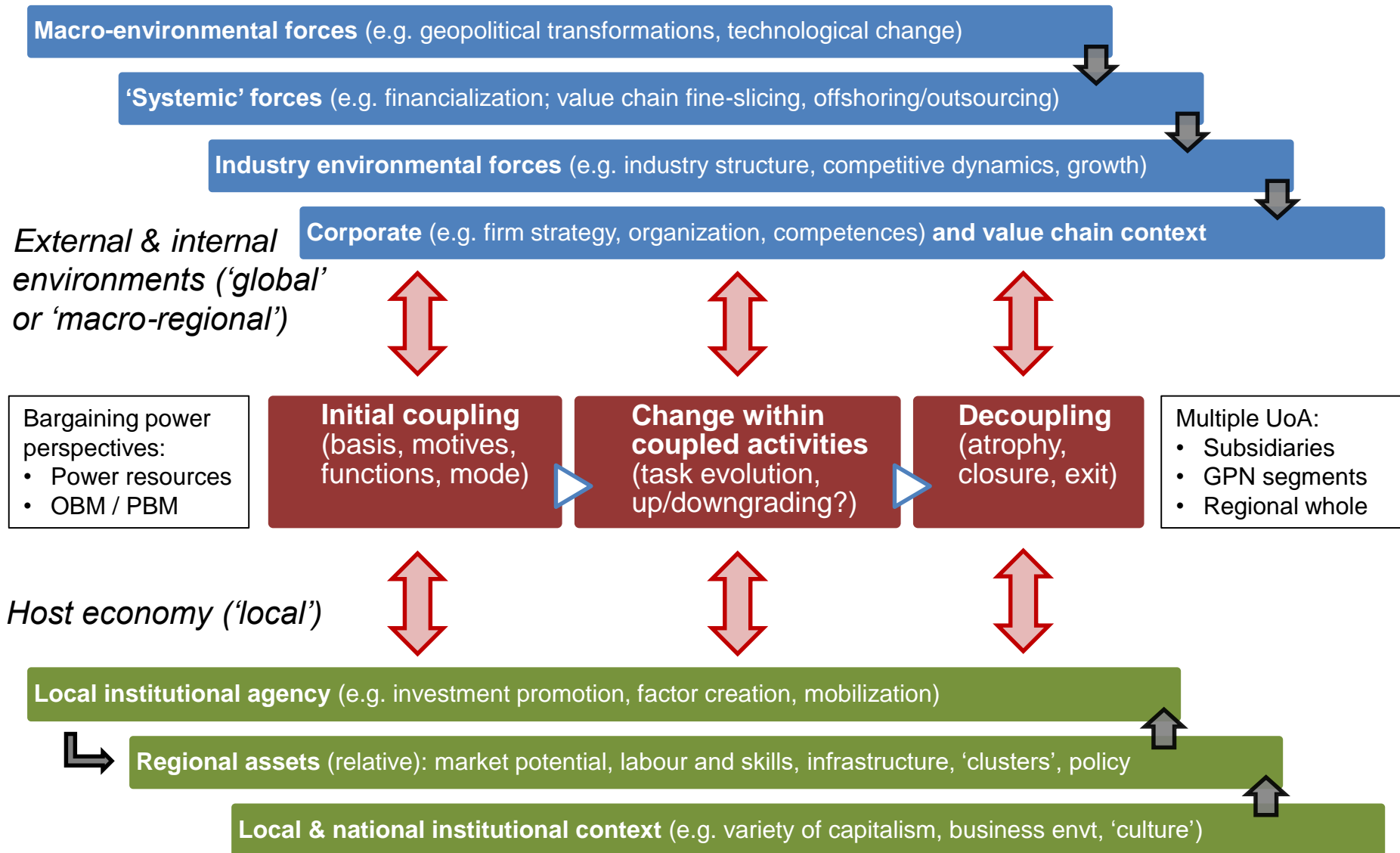
1. Introduction, broad idea and potential contributions

- Although there is a long tradition of research on **inward investment & regional development issues in peripheral/OIRs**, studies were often cross-sectional or had short time horizon, and sometimes empirically-driven and under-theorised...
- **Proposal:** There is now an opportunity to shed new light on this phenomenon by applying **an (enhanced) GPN-type analysis** over a **longer time horizon**.
- Building upon recent contributions to the economic geography literatures on **GPN, EEG and GPE** with insights from other fields, such as **International Business**
- **Broad idea: To explore the processes of 'long-run'/'slow-burn' industrial change and evolution in regions that have pursued an exogenous (inward investment-led) development model**
- Potential contributions?
 - Advance theory by infusing GPN approach (and specifically the strategic coupling concept) with evolutionary and other insights?
 - Policy relevance? A new lens to inform debates about exogenous development model and associated policy dilemmas?

2. Conceptualisation: The GPN approach, 'strategic coupling' and strategic coupling *dynamics* ... a 'path contingent' perspective?

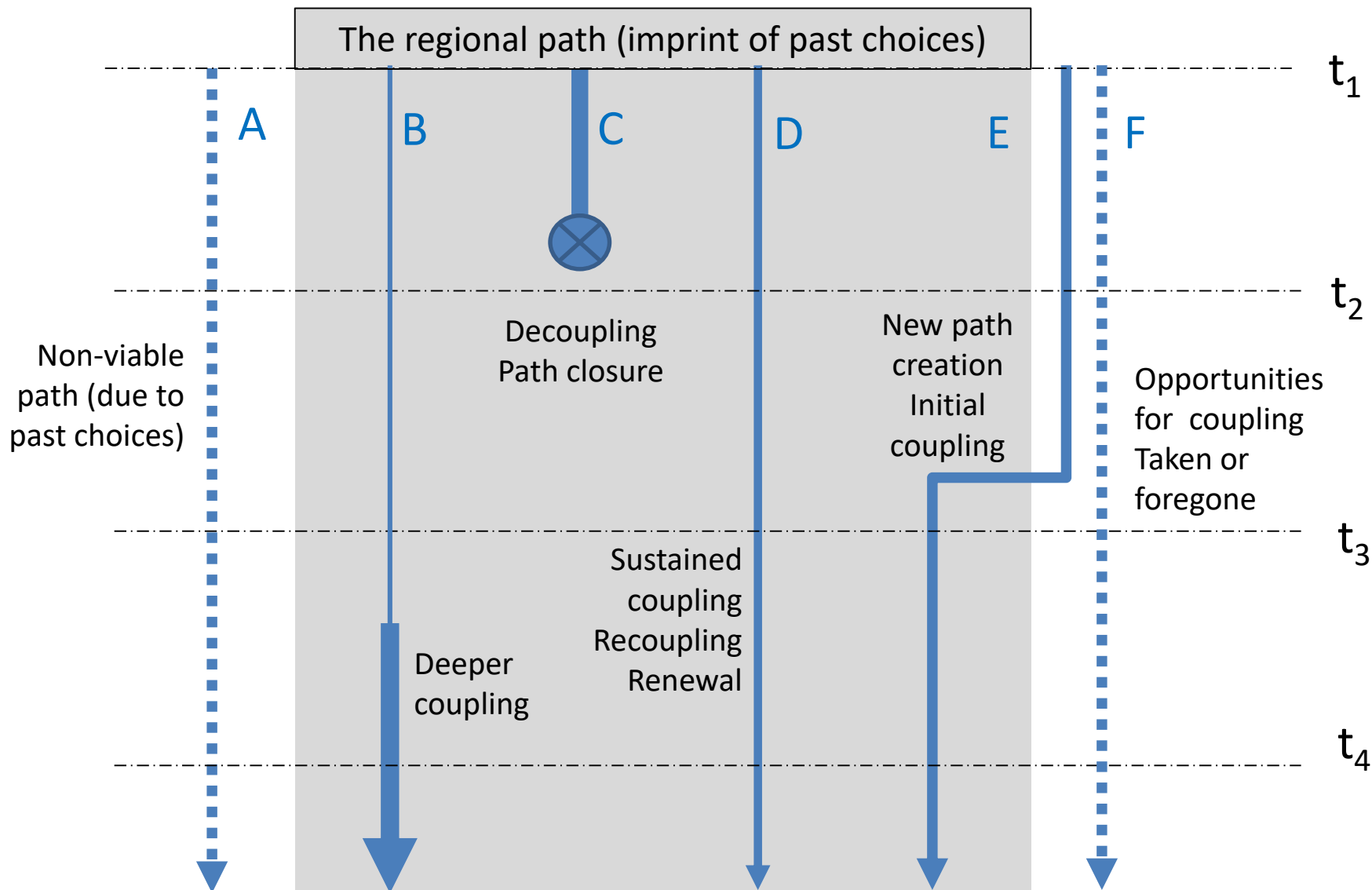
- **GPN themes:** multi-scalar and relational perspective, trans-local networks, power, embeddedness, corporate & institutional actors, value creation/capture/enhancement
- **GPN & regional development:** "The **strategic coupling** of **global production networks** and **regional assets** may (or may not, depending on the context) facilitate the processes of the creation, enhancement and capture of value..." (Coe et al, 2004: 469)
- **Strategic coupling** as an '**interfacing mechanism**' between TNCs and regional assets and a process **mediated by 'local institutional actors'** (Coe et al, 2004; Yeung, 2009)
- Strategic coupling, de-coupling & re-coupling (Mackinnon, 2012; Horner, 2014; Yeung, 2015) => **a dynamic process** ... possible insights from evolutionary perspectives?
- 'Non-GPN' (e.g. GPE) work on peripheral/OIR inward investment experiences and regional economic evolutions (e.g. work on NE England by likes of Pike, Dawley and Hudson)
- '**Path contingency**' (or path dependence) from EEG and other social science literatures... infusing the GPN/strategic coupling literature with **evolutionary insights**?
- e.g. Mackinnon (2012): apply 'layering, conversion & recombination' to GPN studies?

2b. Conceptual framework: drivers of strategic coupling dynamics



Sources: author's integration of insights from Dunning (1998), UNCTAD (1998), Birkinshaw & Hood (1998), Tavares (2001), Coe et al (2004), van Egeraat & Breathnach (2012), Mackinnon (2012), Yeung (2009, 2015)

Path contingency and strategic coupling dynamics



Note: a region may be simultaneously coupled with a number of different GPNs; these couplings could be at different stages; contrast the region's portfolio of coupled GPNs at t_1 , t_2 , t_3 and t_4

Source:
own work

3. Method

- ‘Studying regions by studying firms’ (Markusen, 1994) ... and GPN segments?
- A single region longitudinal case (mid-1990s to present – i.e. a longer time horizon)
- Multiple embedded UoA in 2 tiers (6 x GPN segments & multiple individual MNE subsidiaries in each segment) – nested case design, need to traverse different UoA
- ‘Follow the path’ approach (Pike et al, 2016) for subsidiaries and GPN segments
- *Stage 1 (in progress)*: Desk-based - diverse range of secondary data sources (quantitative & qualitative) – incl. official and other statistics, regional and local media coverage, policy documents, company websites and reports, etc.
- *Stage 2 (planned)*: Fieldwork - ‘expert interviews’ (e.g. policy-makers, FDI consultants) and ‘corporate’ face-to-face interviews (subsidiary managers)
- Analysis: chronologies (sequence of events; causal inference) and cross-case (Yin)
- Possible theoretical generalisability/abstraction? (i.e. beyond the case context)

The Northern Ireland Context

- **Longstanding economic problems**

- A region of high unemployment (until quite recently) and low wages
- Productivity gap; weak competitiveness; SME-dominated economy
- ‘Unfavourable’ industrial structure and restructuring pressures
- Exacerbated by ‘The Troubles’ 1968-98 (but debateable how much)
- Poor economic governance? Lack of coherent strategy/policy innovation?

- **The role of inward investment**

- Policy-makers in NI have always seen it as a vital ‘tool’ (since 1950s)
- Historical emphasis on job creation; grant assistance; rent-seeking?
- Questionable economic impact and value-for-money in C20th?
- Rhetoric of ‘peace dividend’ and role of inward investment since 1998 GFA
- More recent emphasis on higher value-added activities?

Note: (clockwise from top-left) Ford-Visteon, DuPont, Nacco, Seagate, Takata, Michelin,



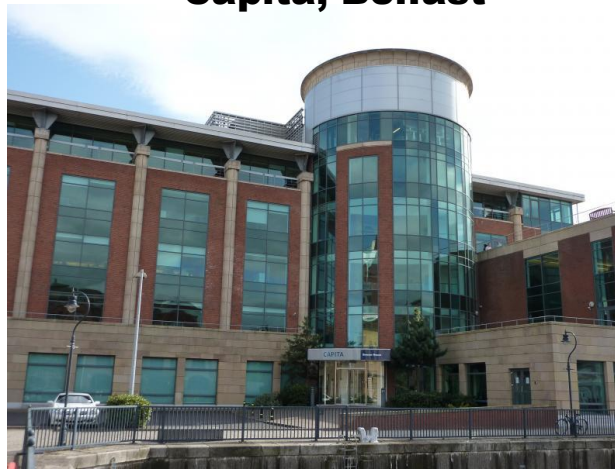
Inward investment in the past: 'branch plant' manufacturing

- Significant inward investment attracted from GB and outside UK (esp. USA but also Europe) in 'branch plant' manufacturing operations during 1950s/60s/70s
- Further manufacturing FDI attracted in late 1980s/90s (but less than comparator regions)
- Public policy regime (esp. generous grant support) combined with low(ish) labour costs and access to UK/EU markets were among the key drivers
- Lack of coherent underlying strategy? Some sector targeting but low 'selectivity'. Enclaves?

Allstate & Fujitsu, Belfast



Capita, Belfast



Citi, Belfast



Halifax/Lloyds, Belfast



FirstSource, Derry



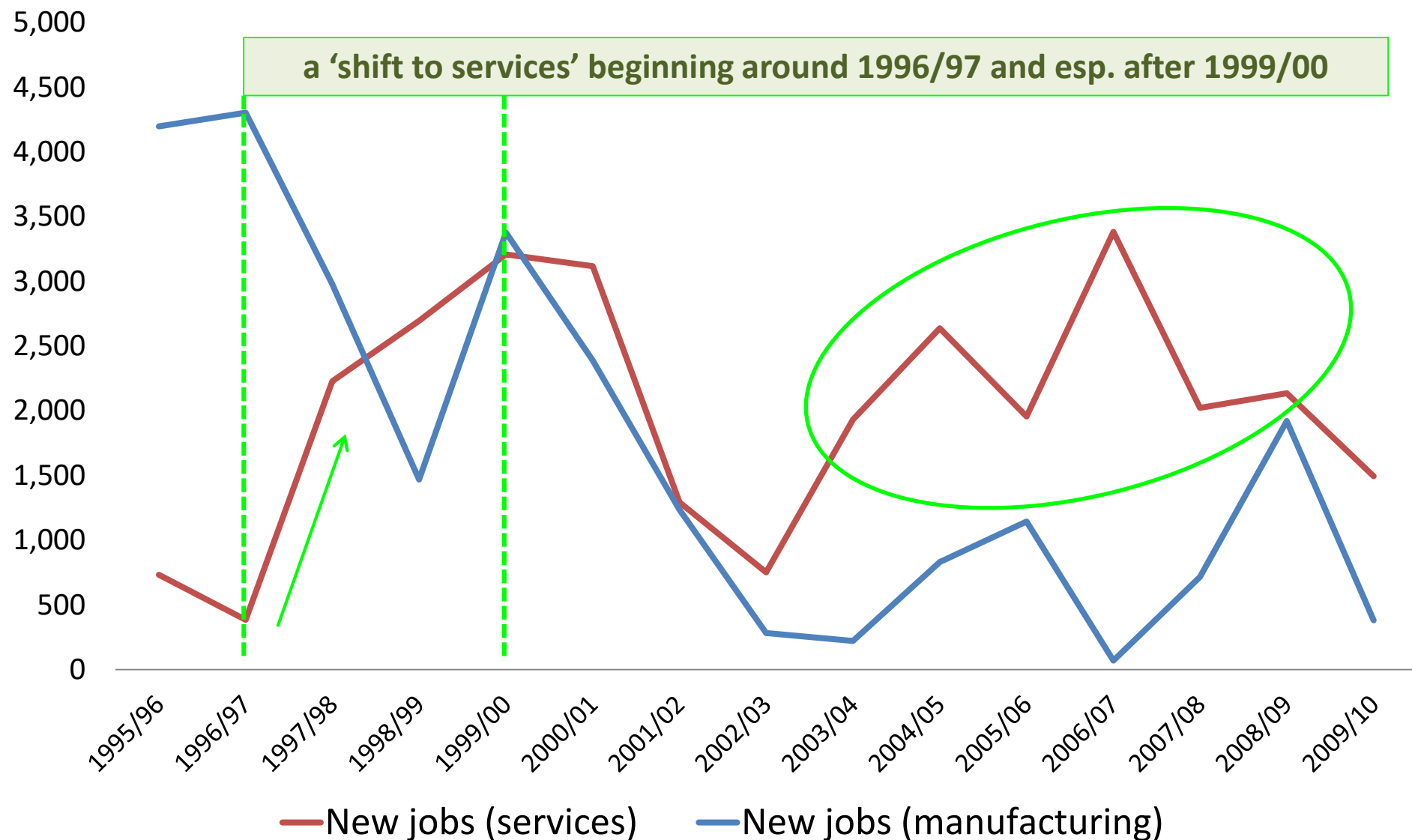
Liberty & NYSE, Belfast



Significant inward investment in ‘traded services’ activities since late 1990s

- A notable shift towards ‘traded services’ at attracted inward investment projects (mid-1990s>)
- Linked to value chain ‘fine-slicing’, offshoring and outsourcing; B2B & intra-firm trade in tasks
- Harder to classify... but a variety of sub-sectors and activities: call centres, IT/software, legal
- New complexity to network connections. Mixed/uncertain reg. dev. outcomes (Crone, 2017).

Number of new jobs promoted annually in Invest NI-supported inward investment projects by broad sector



Source: own work based on data supplied by Invest Northern Ireland

5a. Decoupling encounter 1: path dissolution / closure the 'messy' demise of the textiles & clothing GPN segment

- A sector with very long roots in the region that 'disappeared' over the last 20 years (esp. notable collapse in late-90s/early-00s, when ~2,000 jobs per annum were lost). Less than 2,000 textiles and clothing jobs remained in the region 2013.
- Jobs lost were mainly low-paid and low quality (and gendered) but this had devastating local impacts.
- *Example:* in a single week, in early 1999, a wave of job rationalisations and plant closures impacted 6 towns across the region and attracted significant consternation.
- The 'lost' GPN segment comprised *mainly* branch factories of UK plc companies. These included Tier 1 garment subcontractors supplying UK retailers & branded garment manufacturers, yarn-makers, carpet-makers supplying the UK and exporting.
- Key global and regional **institutional changes** (e.g. end of MFA, EU enlargement) plus new **cost pressures** led to shift to low-cost developing/emerging countries (an industry wide trend that has been widely discussed in the academic literature).
- But also some **local issues**?

5a. Decoupling encounter 1: path dissolution / closure the 'messy' demise of the textiles & clothing GPN segment

- **Local policy responses** to, and management of, this '**rupture**' are interesting; e.g. continued financial support for a failing sector (pouring good money after bad) – could be seen as a form of **lock-in** due to inertia and/or local political pressures and/or engrained 'norms' (grant dependency).
- As late as early 1990s, this sector was still being **attracted/targeted by the inward investment agency** – e.g. Fruit of the Loom (US) expanding spinning/sewing projects and introducing knitting operations; Controversial and ill-fated attempt to attract the Hualon textile company (Taiwan) in the mid-90s
- Even by 1996-97, a significant number of incumbent textiles and clothing firms were still being **financially supported to promote and 'safeguard' jobs** - despite this sector not being among the listed target sectors ... Selective Financial Assistance was not that selective in practice
- Also, the **truncated, branch-factory** nature of this segment meant a lack of local design, innovation or marketing **capabilities** required to 'reposition' the firms and move the local segment 'up the value chain'

5b. Coupling encounter 2: 'low road' new path creation the outsourced contact centre GPN segment

- Path mapping: Timelines for 6 leading investors (1995-2013)

Third-party BPO vendors																				
Stream Global Services [USA]	Derry	nd	nd	nd	nd	nd	390	584	655	472	488	649	501	576	898	758	48	51	27	26
		①					②		③	↓			↓	④		↓	X			
TeleTech [USA]	Belfast						130	374	137	216	235	516	928	618	511	505	655	293	346	
							①							↓	↓	②		↓		
HCL BPO (acquired BT operation) [India, prev. GB]	Belfast						-	43	43	264	301	1,839	2,096	1,924	1,646	1,367	1,443	924	469	
	Armagh						JV Δ			①	②b				↓	↓		↓	↓	
											EA ② a							X		
Teleperformance (acquired MM Group) [France, prev. GB]	Bangor	108	341	294	493					528	841	719	771	1,331	1,660	1,557	1,669	2,008	2,928	
	Newry						Δ ①			↓	②b		③b					④		
											② a		③ a					④		
FirstSource Solutions [India]	Belfast										57	904	867	1,404	1,712	1,644	2,238	2,323		
	Derry										① a									
											①b		②	③ab				④		
Concentrix (acquired GEM) [USA, prev. N. Ireland]	Belfast	25	80	195	257	175	438	328	837	758	628	507	708	683	892					
						↓		↓		↓		↓	Δ ①	②	③					
Cumulative employment at 6 largest TP-BPO vendors							523	1,135	1,561	1,402	1,671	2,464	3,960	6,112	6,396	6,607	5,696	6,170	6,173	6,984

- 'Layering' by attracting new rounds of inward investment
- Third party BPO vendors, which are mainly involved in delivering various (multi-channel) customer contact and relationship management activities, on behalf of their corporate clients, to private consumers within the UK & Irish markets, and occasionally across Europe (i.e. contact centres)
- Employment: Mainly semi-skilled, non-graduate jobs with less emphasis on formal qualifications; mainly **low paid** jobs (with some pressure on terms and conditions); significant volatility in some companies and churn in the wider sector; some whole or partial closures; spread between Belfast and smaller cities/large towns (but not widely dispersed compared to old manufacturing plants)

5c. Coupling encounter 3: 'higher road' new path creation the IT/software GPN segment

- Path mapping: Timelines for 4 leading investors (1995-2013)

Company [ownership]	Locations	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Captives with initial (or sole) IT focus																				
Liberty IT [USA]	Belfast		nd	nd	nd	95	114	130	135	155	188	223	192	247	250	282	314	353	364	
			(1)				(2)			(3)	(4)		↓ (5)				(6)			
Allstate NI [USA]	Belfast			nd	nd	125	244	432	687	962	1,444	1,558	1,556	1,436	1,607	1,807	2,027	2,004	2,326	
			(1)				(2) a			(3) a		(4) a							(5)	
	Derry						(2) b			(3) b		(4) b								
	Strabane									(3) c										
Citi Group [USA]	Belfast									-	51	165	405	624	725	771	979	987	1,107	
										(1)	(2) (3)	(4)	(5)	(6)						
NYSE Technologies (acquired Wombat) [USA, prev. USA]	Belfast										-	79	90	135	140	201	243	276	290	
											(1)	(2)	Δ	(3)						
Cumulative employment at 4 largest captives							220	358	562	822	1,117	1,683	2,025	2,243	2,442	2,722	3,061	3,563	3,620	4,087

- 'Layering' by attracting new rounds of inward investment
- Allstate and Liberty initially established in the late-90s; according to news media coverage from the time, the primary driver was the need to source appropriately skilled IT workers at competitive wage rates during a time of labour scarcity and rising costs in USA
- the range of IT-related services undertaken by these subsidiaries has broadened, with some evolution into more sophisticated IT tasks, and some diversification into BPO & KPO
- Employment: Mainly managerial and skilled roles mainly but not exclusively graduate-level and above; mainly well paid jobs in the regional context; generally high stability and steady expansion; apparently high durability to date; spatial concentration in Belfast (regional capital)

6. Some preliminary discussion points arising

a. Insights on the decoupling process

- Path dependency and lock-ins hinder/delay decoupling. Some possible causes identified.
- The problem of knowing when (and how) to 'let go'. Trying to re-invent/re-invigorate a failing segment vs. managing decline vs. abandonment ... futile resistance / swimming against the tide?

b. Creating (and sustaining) new paths through 'factor formation'

- Yeung (2015) highlights the important role of regional institutions in 'transforming regional assets' to meet the (changing) requirements of TNCs, within the context of strategic coupling
- In both the contact centre and IT/software GPN segments, local institutional agency played a key role in facilitating the initial coupling, subsequent re-investments and subsidiary renewal/evolution
- Regional assets or factor conditions were, in some cases, created 'from scratch' (telecommunication infrastructure, Grade A office developments, university education and other skills training programmes)
- Contrast of NI case with 'adaptation' or 'conversion' of legacy regional assets noted elsewhere?

c. Medium-term evolution, selection/branching and emergence of regional capabilities?

d. Issues relating to smallness, semi-peripherality and the local institutional context

e. Bargaining power, institution-bending and institutional capture

f. Balancing trade-offs:

- Project quality vs. quantity; overall growth goals vs. social/sub-regional equity; jobs vs. competitiveness; exogenous vs. indigenous development.